

Message Text

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14

ACTION COME-00

INFO OCT-01 EA-11 ISO-00 EB-11 CIAE-00 INR-10 NSAE-00

RSC-01 DRC-01 /035 W

----- 107835

R 280715Z JAN 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9362

UNCLAS SECTION 1 OF 2 HONG KONG 0909

E.O. 11652: N/A

TAGS: BEXP, HK

SUBJECT: FISCAL YEAR 1975 COUNTRY COMMERCIAL PROGRAM

REF: A. STATE 6882

B. HONG KONG &6103

C. HONG KONG A-220

D. STATE A-9202

E. HONG KONG A-236.

I. INTRODUCTION

1. AN EFFECTIVE TRADE PROMOTION PROGRAM IN HONG KONG MUST BE FLEXIBLE. ALTHOUGH THIS IS TRUE TO SOME EXTENT IN ALL COUNTRIES, HONG KONG'S EXTRAORDINARY DEPENDENCE UPON FOREIGN TRADE (IMPORTS ARE EQUAL TO 95 PERCENT OF THE ESTIMATED GROSS DOMESTIC

PRODUCT, WHEREAS 85 PERCENT OF THE INDUSTRIAL PRODUCT IS EXPORTED) RENDERS THE ECONOMY PECULIARLY SUSCEPTIBLE TO THE CURRENT DESTABILIZING INFLUENCES IN WORLD TRADE. THE MORE OBVIOUS CURRENT PROBLEMS ARE: (A) THE AVAILABILITY AND PRICE OF PETROLEUM PRODUCTS WHICH SERVE THE COLONY'S ENERGY NEEDS AND PROVIDE RAW MATERIALS FOR ITS TWO LARGEST INDUSTRIES, TEXTILES AND PLASTICS; (B) THE PRICE AND AVAILABILITY OF OTHER RAW MATERIALS E.G. COTTON, WOOL, SILICON AND COPPER, WHICH UNDERWENT DRAMATIC FLUCTUATIONS EVEN BEFORE THE APPEARANCE OF THE ENERGY CRISIS; (C) INTERNATIONAL MONETARY FLUCTUATIONS WHICH ARE AFFECTING THE COST OF IMPORTED RAW MATERIALS, ON
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ONE HAND AND THE PRICE COMPETITIVENESS OF THE ECONOMY'S

EXPORTS, ON THE OTHER; (D) AN INFLATIONARY SPIRAL WHICH, ALTHOUGH INDUCED BY GENERALLY RISING WORLD COSTS, HAS EXCEEDED, PREVAILING RATES IN INDUSTRIAL COUNTRIES (THE COL ROSE BY 26 PERCENT IN THE FIRST NINE MONTHS OF 1973); AND (A) THE GROWING LIKELIHOOD OF A SIMULTANEOUS RECESSION IN ALL OF HONG KONG'S MAJOR MARKETS, A NIGHTMARE THAT HONG KONG HAS NOT HAD TO FACE SINCE EMBARKING ON THE PATH OF INDUSTRIALIZATION IN THE 1950'S. CLASSICAL ECONOMISTS ARE FOND OF SINGLING OUT HONG KONG'S EXTRAORDINARY RECUPERATIVE POWERS -- THE MACROECONOMIC ADJUSTMENT PROCESS WHICH IS UNHAMPERED BY GOVERNMENT REGULATION. WE AGREE THAT ADJUSTMENT HERE WILL PROBABLY BE RELATIVELY SUCCESSFUL, BUT IT IS ALSO LIKELY TO PRODUCE DEVELOPMENTS THAT WE CANNOT NOW ANTICIPATE. WE MUST, THEREFORE, ADOPT A FLEXIBLE STANCE AND WILL EXPECT REASONABLE CONSIDERATION IN WASHINGTON OF OUR FUTURE REQUESTS TO REPROGRAM BOTH HUMAN AND FINANCIAL RESOURCES TO PROFIT FROM THE EMERGING SITUATION.

2. ANOTHER FACTOR WHICH ARGUES FOR FLEXIBILITY IS FOUND IN THE VARIED GEOGRAPHICAL RESPONSIBILITIES OF THE CONGEN. ALTHOUGH IT IS LOCATED IN HONG KONG AND THE MAJORITY OF ITS TRADE PROMOTION RESOURCES ARE FOCUSED UPON THE HONG KONG MARKET, IT ALSO HAS RESPONSIBILITY FOR ADVISING U.S. BUSINESSMEN INTERESTED IN POSSIBLE TRADE WITH THE PRC AND FOR PROVIDING INFORMATION OF A REGIONAL NATURE TO THE MANY REGIONAL HEADQUARTERS OF IMPORTANT U.S. FIRMS LOCATED HERE. HAPPILY, THE CONGEN HAS AN INTEGRATED COMMERCIAL/ECONOMIC SECTION ORGANIZED TO SHIFT ITS PRIMARY ATTENTION TO WHICHEVER OF THESE AREAS REQUIRES IT AT A GIVEN TIME. ADDITIONALLY, OFFICERS PRIMARILY ENGAGED IN ANALYSIS AND REPORTING ARE ABLE TO LEND ASSISTANCE TO TRADE PROMOTION. HONG KONG'S PRE-1950 ROLE AS AN ENTREPOT BOTH FOR TRADE WITH CHINA AND FOR TRADE IN SOUTH EAST ASIA IS GAINING RENEWED IMPORTANCE. WE MUST BE PREPARED TO SEIZE UPON THIS DEVELOPMENT TO INCREASE U.S. EXPORTS TO THE AREA.

3. FOR THESE REASONS, WE CONSIDER THE FOLLOWING LIST OF PRIORITIES AS TENTATIVE. THEY REFLECT THE FY75 COMMERCIAL POTENTIALS AS WE CAN BEST PERCEIVE THEM AT THIS JUNCTURE. AS CHANGES BECOME WARRANTED, WE WILL BE QUICK TO ADVISE WASHINGTON OF THE FACTORS AND OUR RECOMMENDATIONS.

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II. PRIORITIES:

1. IDENTIFICATION OF AND REPORTING ON MAJOR PROJECTS (REGIONALLY, AS WELL AS HONG KONG) SO AS TO MAXIMIZE US INPUTS OF EQUIPMENT AND SERVICES TO THESE PROJECTS VIA (1) CLOSE MONITORING OF INDUSTRY INFORMATION AND CONTACTS WITH INDUSTRY PERSONNEL AND (2) CLOSE CONTACTS WITH GOVERNMENT PROGRAM PLANNERS

AND DECISION MAKERS.

RESOURCE ALLOCATION: 150 AMERICAN OFFICER MANDAYS.

12 LOCAL PERSONNEL MANDAYS.

2. EXPAND MARKET FOR US ELECTRONIC COMPONENTS AND ELECTRONICS
INDUSTRY PRODUCTION AND TEST EQUIPMENT VIA: (1) INCREASED CONTACTS
QW WITH ELECTRONICS AGENTS AND MANUFACTURERS TO IDENTIFY INDUSTRY
NEEDS AND TRADE OPPORTUNITIES; (2) IDENTIFICATION OF PROSPECTIVE
AGENTS AND DISTRIBUTORS; (3) CONTINUED EFFORTS TO DEVELOP AN
ATTRACTIVE TRADE PROMOTION EVENT TO DISPLAY EQUIPMENT AND COMPONENTS
OR CATALOGS TO THE LOCAL INDUSTRY AND, POSSIBLY, PRC OFFICIALS.
RESOURCE ALLOCATION: 60 AMERICAN OFFICER MANDAYS.

100 LOCAL EMPLOYEE MANDAYS.

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INFO OCT-01 EA-11 ISO-00 EB-11 CIAE-00 INR-10 NSAE-00

RSC-01 DRC-01 /035 W

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R 280715Z JAN 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9363

UNCLAS SECTION 2 OF 2 HONG KONG 0909

E.O. 11652: N/A

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3. PROMOTION OF REVERSE TRADE MISSIONS TO THE U.S. BY HONG KONG
BUYERS THROUGH: (1) PUBLICATION OF LUE CONCEPT AND INVITATIONS
TO READERS IN THE COMMERCIAL NEWSLETTER; (2) CLOSE LIAISON WITH
THE HONG KONG PRODUCTIVITY CENTRE, THE FEDERATION OF HONG KONG

INDUSTRIES AND THE CHINESE MANUFACTURERS ASSOCIATION TO ENCOURAGE SUCH MISSIONS (3) CLOSE LIAISON WITH AIRLINES AND TRAVEL AGENCIES TO ENCOURAGE THEM TO PROMOTE THIS TYPE OF TRAVEL AT PREFERENTIAL RATES.
RESOURCE ALLOCATION: 25 AMERICAN OFFICER MANDAYS.
IU 50 LOCAL PERSONNEL MANDAYS.

4. EXPAND MARKET FOR US PRINTING AND GRAPHIC ARTS EQUIPMENT THROUGH: (1) A CATALOG SHOW TO BE HELD IN JULY 1974; (2) ASSISTANCE TO THE HONG KONG PRINTERS ASSOCIATION IN SCHEDULING A VISIT FOR MEMBERS TO THE CHICAGO AREA IN NOVEMBER, 1974 TO ATTEND AN INDUSTRY SHOW AND VISIT MODERN PRINTING PLANTS; (3) IDENTIFICATION OF TYPES OF EQUIPMENT DESIRED AND THE SUBMISSION OF TRADE UNCLASSIFIED

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OPPGSTUNITIES; (4) IDENTIFICATION OF PROSPECTIVE AGENTS AND DISTRIBUTORS.
RESOURCE ALLOCATION: 60 AMERICAN OFFICER MANDAYS.
75 LOCAL PERSONNEL MANDAYS.

WGM EXPAND THE MARKET FOR POLLUTION CONTROL INSTRUMENTATION AND EQUIPMENT VIA: (1) A CATALOG SHOW TO BE HELD IN JANUARY 1975; (2) IDENTIFICATION OF PROSPECTIVE CUSTOMERS AND TYPES OF EQUIPMENT NEEDED; (3) IDENTIFICATION OF PROSPECTIVE AGENTS AND DISTRIBUTORS
RESOURCE ALLOCATION: 60 AMERICAN OFFICER MANDAYS.
75 LOCAL PERSONNEL MANDAYS.

(N.B. THE HONG KONG GOVERNMENT HAS MADE NUMEROUS ASSURANCES REGARDING ENVIRONMENTAL SAFEGUARDS TO BE EMBODIED IN FORTHCOMING PETROLEUM REFINERY AND PETROCHEMICAL PLANT. WE BELIEVE THE SHEER DENSITY OF HONG KONG'S MANUFACTURING-SECTOR WILL PRODUCE ADDITIONAL PRESSURES FOR POLLUTION CONTROLS.)

6. EXPANSION OF THE MARKET FOR US PACKAGING EQUIPMENT VIA:
(1) INTENSIVE CONTACT WITH THE HONG KONG PRODUCTIVITY CENTRE, THE FEDERATION OF HONG KONG INDUSTRIES AND THE ASIAN PACKAGING COUNCIL (HEAEAUARTERED IN HONG KONG) AND ASSISTANCE TO TYSE ORGANIZATIONS IN THEIR TRAINING PROGRAMS; (2) IDENTIFICATION OF PROSPECTIVE CUSTOMERS AND SUBMISSION OF TRADE OPPORTUNITIES; (3) IDENTIFICATION OF PROSPECTIVE AGENTS AND DISTRIBUTORS.
RESOURCE ALLOCATION: 30 AMERICAN OFFICER MANDAYS.
40 LOCAL PERSONNEL MANDAYS.

(N.B. THE AVAILABILITY OF U.S. SUPPLIES WILL BE CRUCIAL TO THIS PRIORITY, AND WE LOOK TO WASHINGTON TO PROVIDE TIMELY GUIDANCE LEST WE WASTE RESOURCES TO INDUCE DEMAND WHICH THE U.S. CANNOT MEET)

7. EXPANDING THE MARKET FOR US BUSINESS EQUIPMENT AND
SYSTEMS VIA: (1) MAINTENANCE AND EXPANSION OF CONTACTS DEVELOPED
THROUGH ISBEX '73 AND REPORTING OF TRADE OPPORTUNITIES WHICH
ARISE.

RESOURCE ALLOCATION: 60 AMERICAN OFFICER MANDAYS.

60 LOCAL PERSONNEL MANDAYS.

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8. CONTINUE STRONG EFFORTS TO DEVELOP TRADE OPPORTUNITIES
IN ALL SECTORS, PARTICULARLY THOSE OTHER AREAS OUTLINED IN
THE PRODUCT PRIORITY LISTING GIVEN IN HONG KONG A-326 OF
DEC. 15, 1973, AND MISCELLANEOUS ASSISTANCE TO LOCAL AND
AMERICAN BUSINESSMEN.

RESOURCE ALLOCATION: 16 AMERICAN OFFICER MANDAYS.

NE 300 LOCAL PERSONNEL MANDAYS.

COMMENTS:

IF FUNDING FOR ANOTHER AMERICAN FORTNIGHT IS APPROVED FOR
OCTOBER 1975 WE WILL SPEND APPROXIMATELY 50 MANDAYS IN
FY75 PREPARATORY STAGES OF THE EVENT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HONGK00909
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740112/aaaaakyz.tel
Line Count: 250
Locator: TEXT ON-LINE
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A. STATE 6882
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 22 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 FEB 2002 by elbezefj>; APPROVED <26 NOV 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FISCAL YEAR 1975 COUNTRY COMMERCIAL PROGRAM
TAGS: BEXP, HK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005